

BILL # SB 1180

TITLE: IRA's taxed in other states

SPONSOR: Harper

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Brian Cary

FISCAL ANALYSIS

Description

Beginning in tax year 2004, this bill would create a new individual income tax exemption in the form of an income subtraction. The bill would permit a taxpayer to subtract distributions from qualified retirement plans that were equal to or less than contributions to the plans that were subject to taxation in another state.

Estimated Impact

This bill would reduce General Fund individual income tax revenue by an undetermined amount. The Department of Revenue (DOR) maintains taxpayer records and does not have a way to identify which taxpayers may have contributed to IRA's and qualified plans in other states, nor can they determine the amount of these contributions.

Analysis

Arizona uses federal adjusted gross income to calculate an individual's Arizona adjusted gross income. Arizona has conformed to the federal tax code since 1975 in allowing taxpayers to deduct their contributions to IRA's and other qualified plans from Arizona adjusted gross income. According to DOR, at least one state (New Jersey) did not conform to IRA federal law. Therefore, IRA contributions were taxed at the state level in at least New Jersey. The bill would allow taxpayers to deduct distributions from retirement accounts that are less than or equal to the contributions that were taxed by other states such as New Jersey.

Local Government Impact

Each year incorporated cities and towns receive a percentage (15% in FY 2005 and FY 2006) of individual and corporate income tax collections from 2 years prior. The bill would reduce local government revenues by an undetermined amount beginning in FY 2007.

2/20/04